

**WHATCOM COUNTY PUBLIC UTILITY DISTRICT NO. 1**  
**Whatcom County, Washington**  
**January 1, 1993 Through December 31, 1993**

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**Schedule Of Findings**

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1. The District Should Only Pay For Services Which Have Been Rendered And Which Are Allowable District Expenditures

Our review of the district's contracts revealed the following:

- a. The district entered into contracts to provide \$5,000 per year funding for a private nonprofit organization, Fourth Corner Economic Development Group (FCEDG), for the period 1990 through 1995 for "economic development services."
- b. The district has paid a total of \$25,000 from 1990 through 1994 to FCEDG for which it did not receive adequate documentation of services provided. The invoice merely stated "economic development services rendered."
- c. The district was unable to locate a contract for 1994, during which it had paid FCEDG \$5,000 for "economic development services rendered."

RCW 54.04 states in part, the purpose of the public utility district act was:

... to authorize the establishment of public utility districts to conserve water and power resources of the State of Washington for the benefit of the people thereof, and to supply public utility service, including water and electricity for all uses.

RCW 54 does confer upon the district relatively broad powers but restricts those powers at RCW 54.16.090 by stating in part:

A district may enter into any contract or agreement . . . for carrying out any of the powers authorized by this title.

Economic development activities appear to be beyond the district's general purpose of supplying or conserving water or electricity.

Article VIII, Section 7 of the Washington State Constitution states in part:

No county, city, town or other municipal corporation shall hereafter give any money, or property, or loan its money, or credit to or in aid of any individual, association, company or corporation, except for the necessary support of the poor and infirm . . . .

In addition, RCW 43.09.200 states in part:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any derived therefrom: all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

The district's failure to comply with applicable regulations appears to be attributable to an entirely new management team in 1990 and a lack of clear understanding of the requirements.

The district's lack of procedures to ensure all expenditures are for allowable district activities and failure to obtain a valid contract for 1994 resulted in a gift of public funds to FCEDG.

We recommend the district:

- a. Ensure valid contracts are in place prior to receiving services or paying invoices.
- b. Receive adequate supporting documentation detailing services provided.
- c. Ensure all expenditures are for allowable activities of a public utility district.